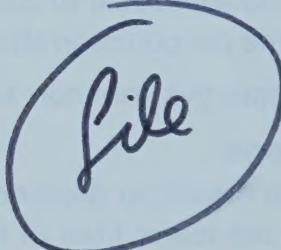


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Quarterly Report
to
Shareholders

For the Period Ended

June 30, 1982



Dofasco Inc.
Hamilton, Ontario

Quarterly Report

To the Shareholders of Dofasco Inc.:

Summarized below are Dofasco's unaudited consolidated results for the second quarter and for the first six months of 1982, with comparative figures for the same periods in 1981 (dollars in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	1982	1981	1982	1981
	967,000	1,028,000	2,007,000	2,039,700
Production of ingots and castings (net tons)				
Shipments of flat rolled products, semi-finished steel and steel castings (net tons)	721,900	785,000	1,399,100	1,533,900
Sales.....	\$388,500	\$430,900	\$798,100	\$854,800
Depreciation.....	19,900	17,400	38,800	34,400
Interest on long term debt.....	9,600	8,400	17,600	17,600
Income from investments.....	5,900	9,800	11,000	18,900
Income before income taxes.....	22,700	69,900	73,500	136,900
Income taxes.....	7,900	26,600	27,000	51,600
Net income.....	14,800	43,300	46,500	85,300
Preferred share dividends.....	5,200	5,500	10,600	10,300
Net income applicable to common shares..	9,600	37,800	35,900	75,000
Net income per common share.....	\$.59	\$2.34	\$2.21	\$4.64

(Net income per common share on a fully diluted basis, 1982 – \$2.18, 1981 – \$4.49)

Operations

North American demand for our products has continued to deteriorate. Shipments for the first half year are lower than in the comparable period last year. However, 1982 shipments included a significant portion of offshore exports, and while this helped maintain good operating levels, the contribution to earnings is much lower. Net income applicable to common shares was less than half that of the first six months last year.

A number of steps have been taken to cope with the poor steel economy. These include cost cutting measures and continuing strong efforts to obtain export business.

Capital Expenditures

We indicated in our first quarter report that capital projects were being reviewed carefully. Most have now been deferred, including the major project, our second hot rolling mill, for which the completion date has been extended to mid 1983. Substantial cash savings will be generated by these cutbacks.

Current Outlook

Domestic demand has continued to decline from levels experienced earlier in the year and prospects at the present time are not encouraging. Orders currently in hand, including export, are sufficient to maintain reasonably good operating levels into the fall.

Beyond this, unless there is improvement, we will be operating at much lower levels in the last quarter and into 1983. The outlook for operations at National Steel Car and Prudential Steel is also poor.

In view of this gloomy outlook, regrettably, we have had to give notification of layoff in November to 2,100 of our 11,500 employees at Dofasco. All reasonable options are being explored to obtain more business in order to reduce the risk of layoff.

F. H. SHERMAN

Chairman and President

July 27, 1982

Statement of Changes in Financial Position

Six Months Ended

June 30

1982

1981

(dollars in thousands)

SOURCE OF FUNDS:

Operations (consisting of net income before deducting items not involving an outlay of funds).....	\$118,500	\$149,000
Common shares issued.....	300	800
New financing less related costs.....	58,800	—
	<u>177,600</u>	<u>149,800</u>

APPLICATION OF FUNDS:

New facilities.....	97,800	119,300
Reduction in long term debt.....	9,700	9,500
Dividends.....	30,400	41,400*
Increase in investments.....	2,500	—
Other changes.....	400	400
	<u>140,800</u>	<u>170,600</u>

INCREASE (DECREASE) IN WORKING CAPITAL.....

WORKING CAPITAL AT BEGINNING OF YEAR.....

WORKING CAPITAL AT JUNE 30.....

INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL:

CURRENT ASSETS:

Cash and short term investments.....	\$ 1,100	\$ 900
Accounts receivable.....	(28,900)	17,800
Inventories.....	1,700	(34,400)
	<u>(26,100)</u>	<u>(15,700)</u>

LESS CURRENT LIABILITIES.....

INCREASE (DECREASE) IN WORKING CAPITAL.....

<u>\$ 36,800</u>	<u>\$(20,800)</u>
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*The regular dividends payable during the fourth quarter of 1981 on the 4 3/4% preferred shares, the \$2.35 preferred shares and the common shares were declared June 25, 1981.